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Managing liquidity in unprecedented markets

The opinions are as of May 2021 and are subject to change at any time due to changes in market or economic conditions.

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Managing liquidity in unprecedented markets

1

Reopen and restart

In our view, the economic recovery is dependent on the COVID-19 vaccine rollout

2

Abundant accommodations

The monetary and fiscal policy “revolution,” we believe, is affecting the economy and markets

3

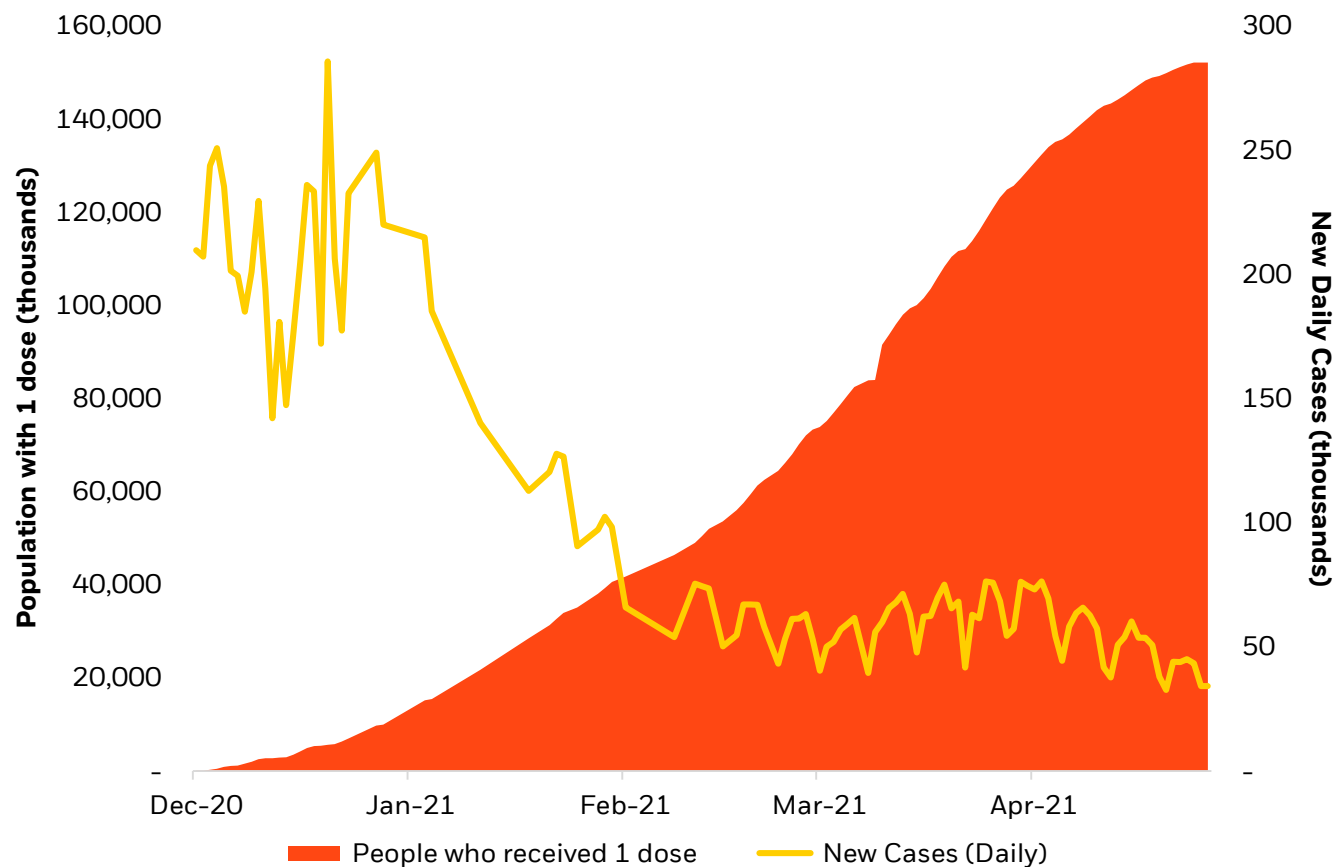
Committed to cash

BlackRock continues to help short-term investors adapt to the ultra low yield environment

Speedy vaccine rollout in the U.S.

Half of the U.S. adult population has received at least one vaccine, covering over 70% of the vulnerable population. Reduced pressure on hospitals will be key to relaxing activity restrictions.

U.S. vaccination efforts vs new cases

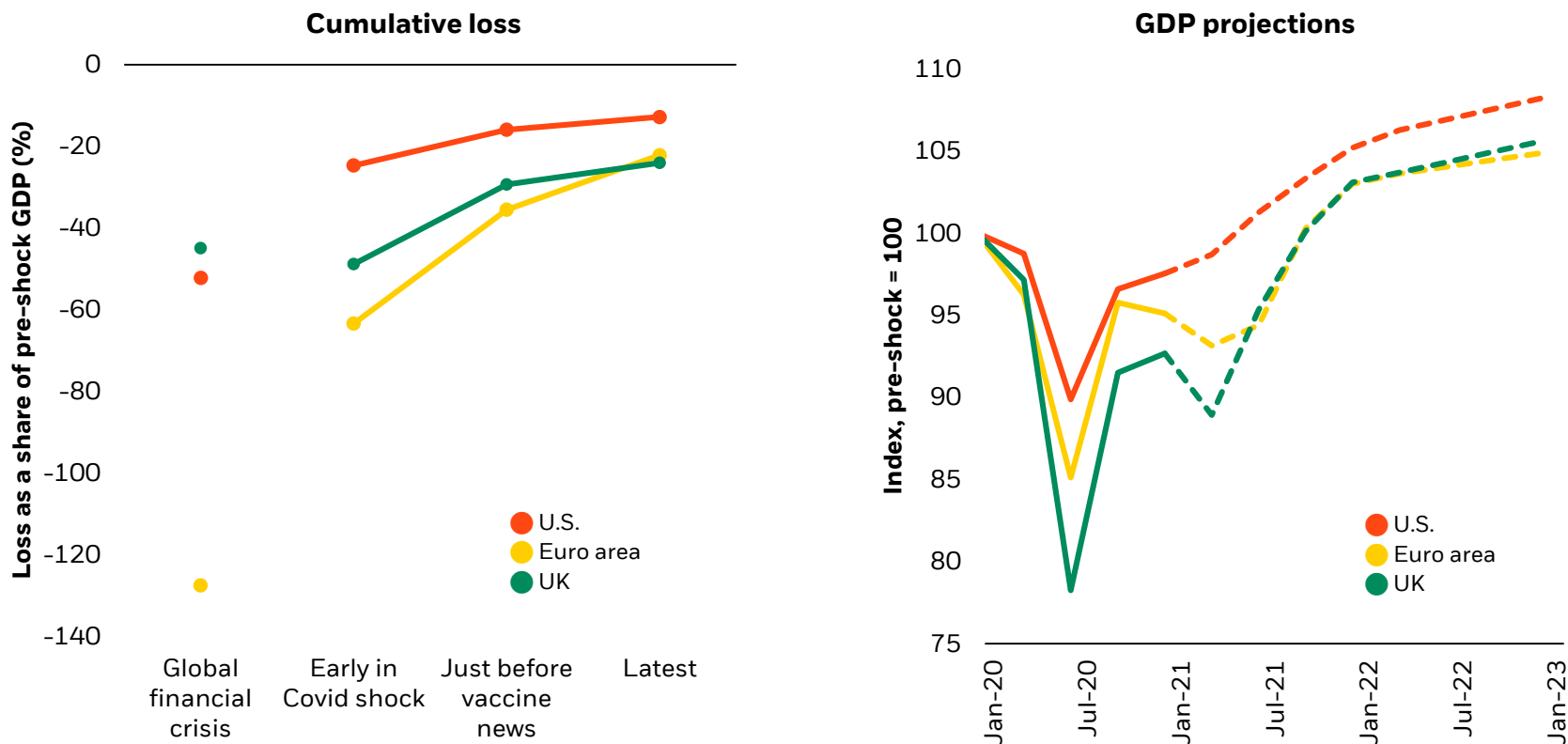


Source: covid.cdc.gov, as of May 10, 2021

Reduced estimates of COVID-19 activity impact

Consensus expectations are still being revised up, reducing the cumulative shortfall. We believe vaccine rollouts should stoke a sharper-than-expected rebound – as we are seeing in the U.S.

Estimated cumulative loss from the COVID-19 shock and gross domestic product (GDP) estimate

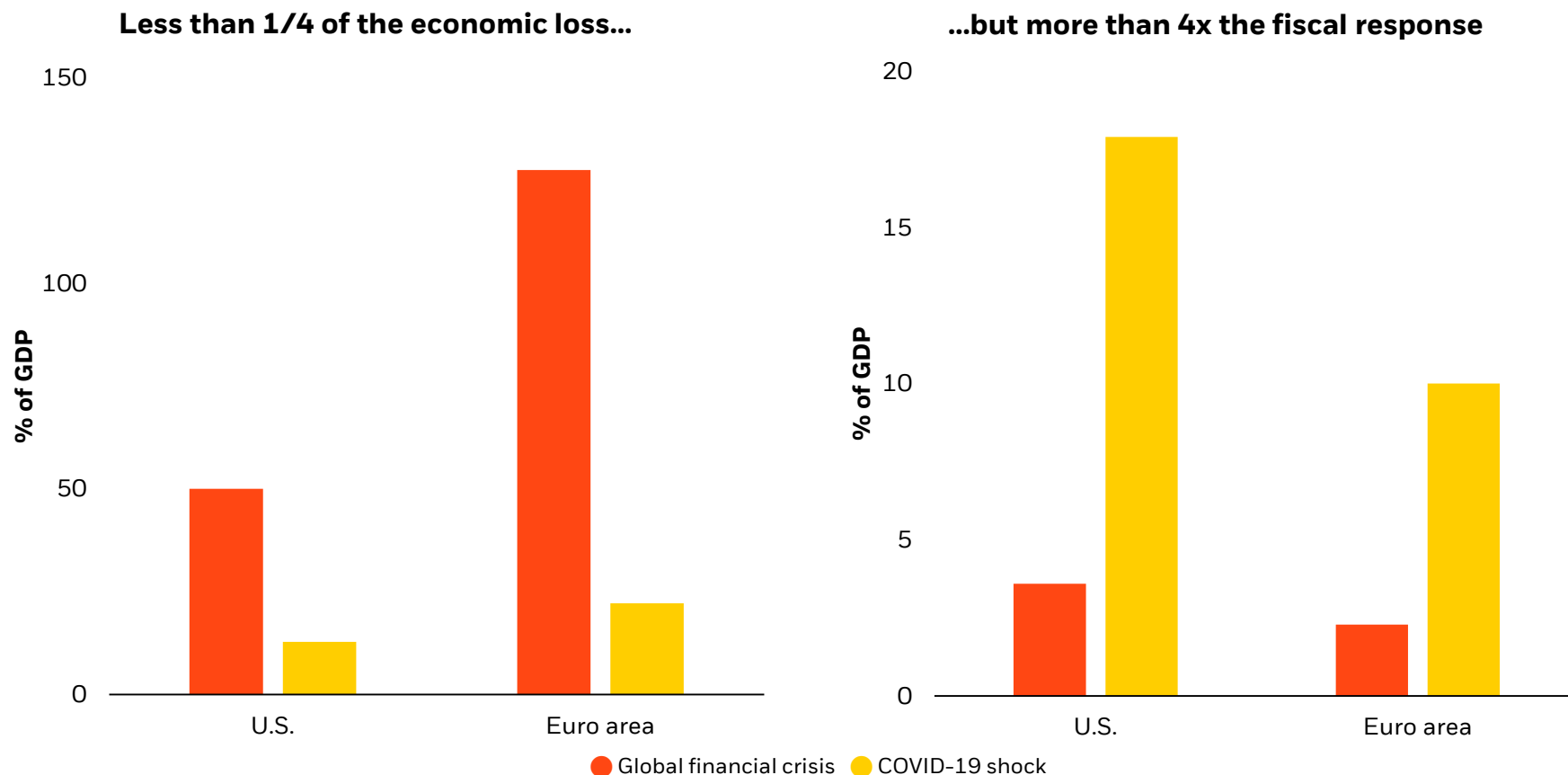


Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute, with data from Refinitiv Datastream and Reuters News, March 2021. The left chart tracks the evolution of consensus estimates for the cumulative loss in GDP due to the COVID-19 shock. The standalone dots on the left show the total cumulative loss as a result of the global financial crisis. Lines show the evolution of the most pessimistic estimates of the cumulative loss in GDP arising from the COVID-19 shock, based on data and consensus forecasts available at each point in time. The numbers change over time due to the publication of GDP data and updated consensus forecasts of future GDP growth. Early aftermath forecasts were dated from June for the U.S. and Euro area, reflecting the fact that the COVID-19 shock hit China GDP most in 2020Q1, but in other countries in 2020Q2. The middle estimates 'Just before vaccine news' are dated from early November 2020, prior to the first announcement of an effective globally available vaccine in mid-November. The 'Latest' forecasts are based on GDP data up to 2020Q4 in all economies, and consensus forecasts of GDP growth as of late March 2021.

Huge fiscal support: 1/4 the shock, 4x times the fiscal impulse

The fiscal impulse relative to the size and nature of the COVID-19 shock has been huge. And it is not about stimulating activity – a large share of activity will restart on its own as vaccines are rolled out.

Estimate of COVID-19 shock and discretionary fiscal support compared vs the GFC



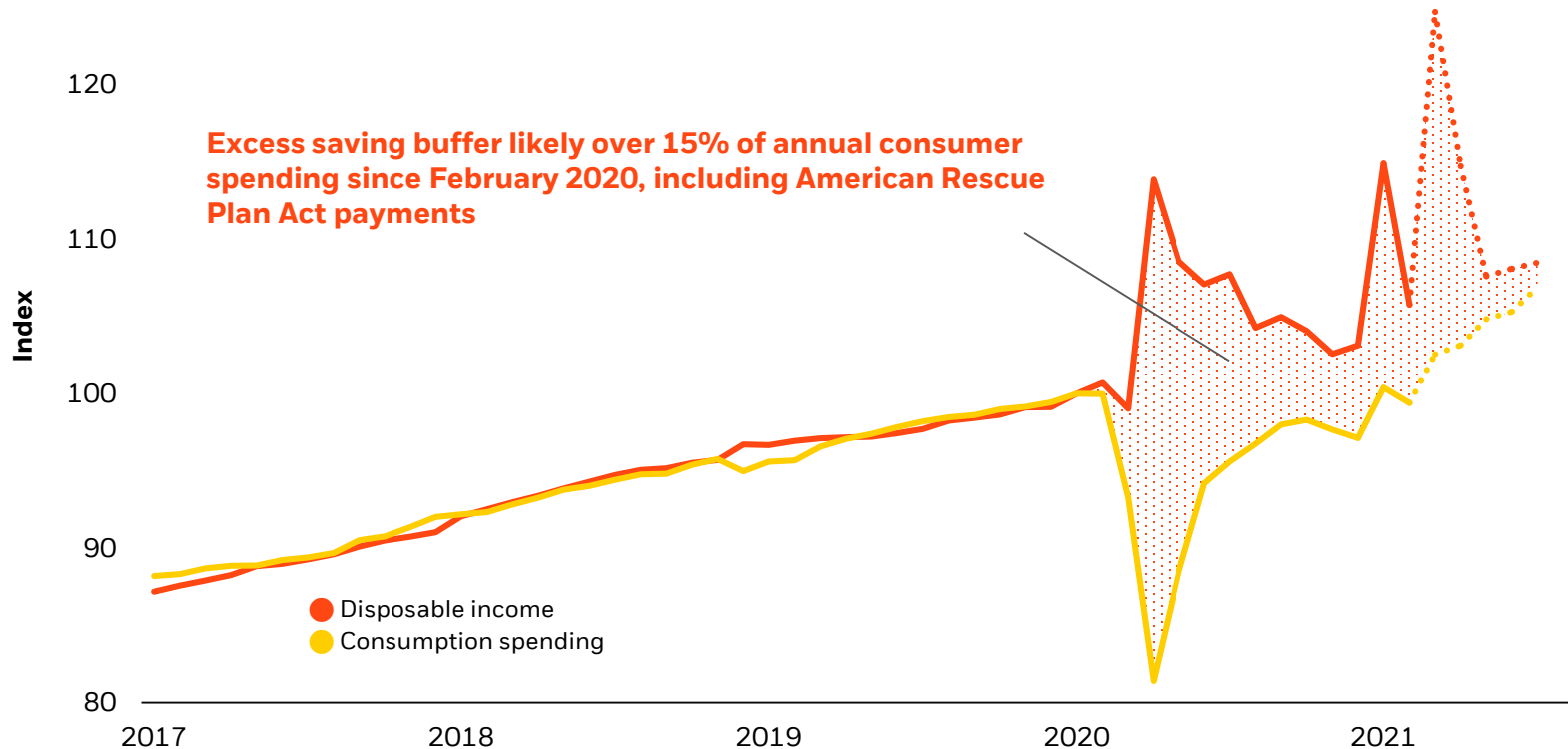
Sources: BlackRock Investment Institute, with data from Haver Analytics, April 2021. Notes: The charts show our estimate of the cumulative GDP loss from the GFC (2008-2009) and our expectation for the COVID-19 (2020-2021) and the discretionary fiscal support for the U.S. and euro area during each period. This material represents an assessment of the market environment at a specific time and is subject to change

Pent-up demand to fuel the restart

We see pent-up demand driving the powerful restart. Accumulated savings should help spread out spending even as fiscal support wanes from the end of one-off payments to households.

U.S. savings and estimated drivers of consumption growth

U.S. disposable income vs. consumer spending

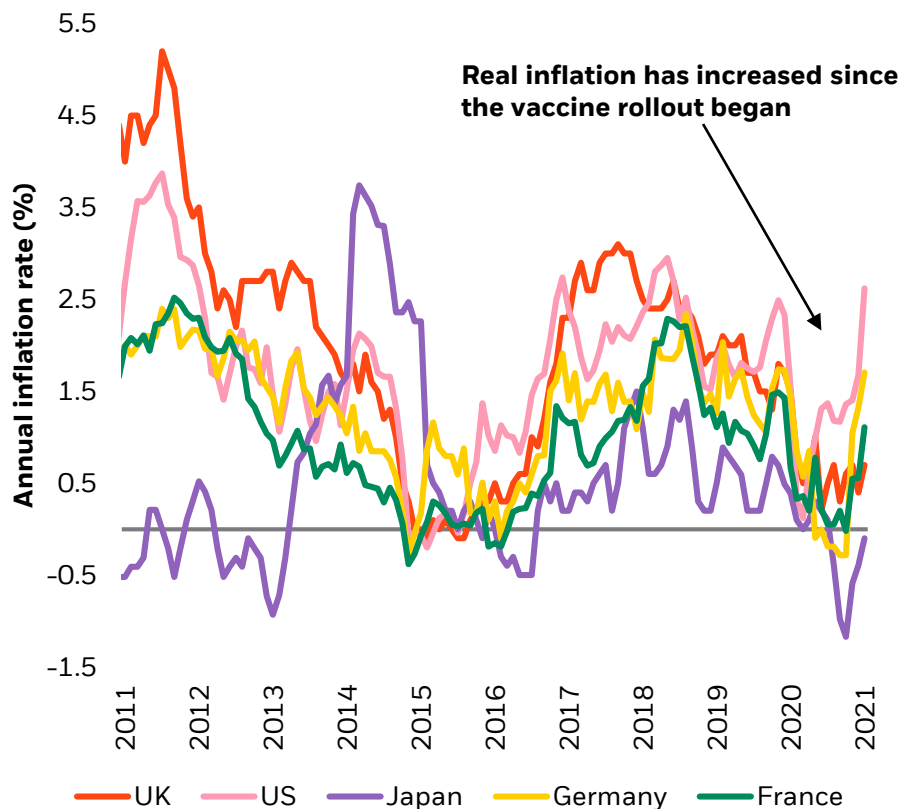


Sources: Bureau of Economic Analysis, U.S. Treasury Department, and Haver Analytics, as of April 2021. Forecasts may not come to pass.

Inflation on the rise?

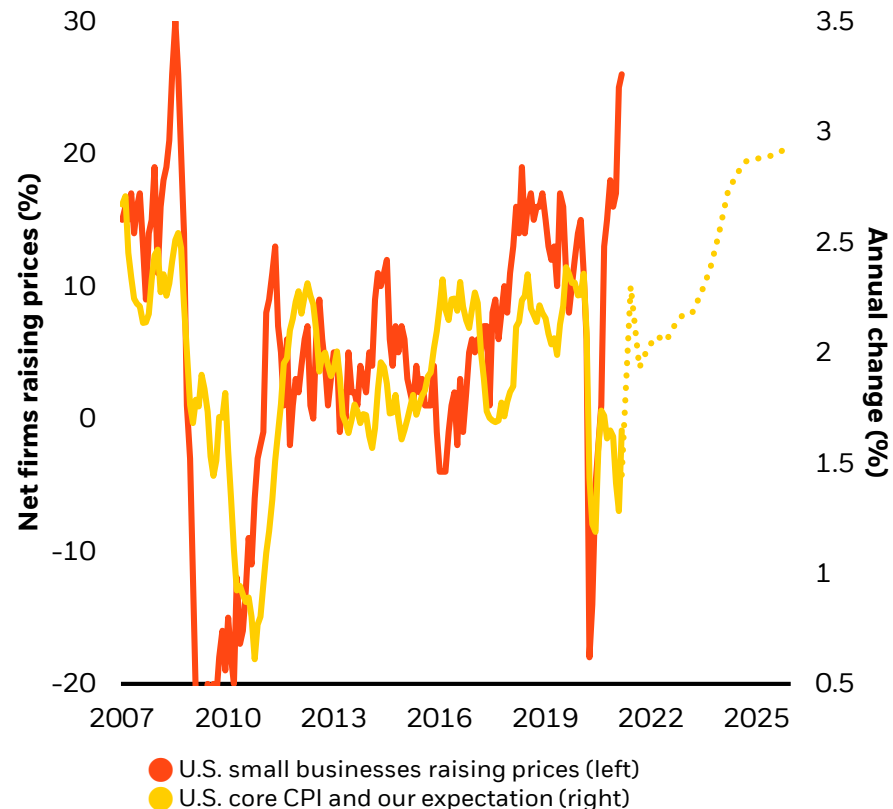
We expect inflation to build steadily over the medium term, well above the Federal Reserve's 2% target. Supply constraints and surging demand will likely keep the short-run path more volatile.

Global inflation rates (actual)



Source: Refinitiv Datastream, as of April 30, 2021.

U.S. firm price trends and core CPI

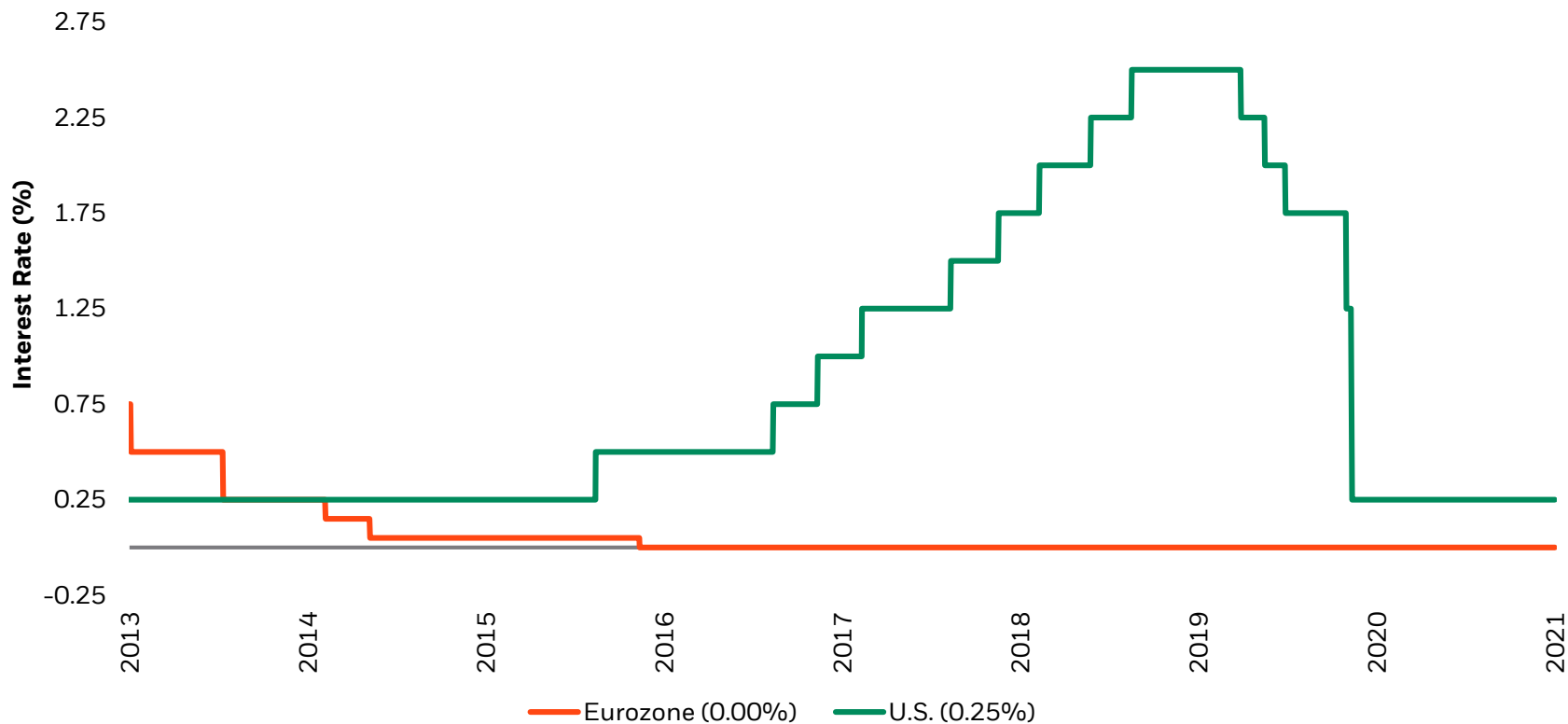


Source: Institute of Supply Management (ISM), Markit, Refinitiv Datastream and Haver Analytics, as of April 2021. **Forecasts may not come to pass.**

Accommodative interest rate policy

Central banks remain committed to a zero interest-rate policy

Central banks took swift action from the start of the pandemic by cutting rates to zero, where they have remained

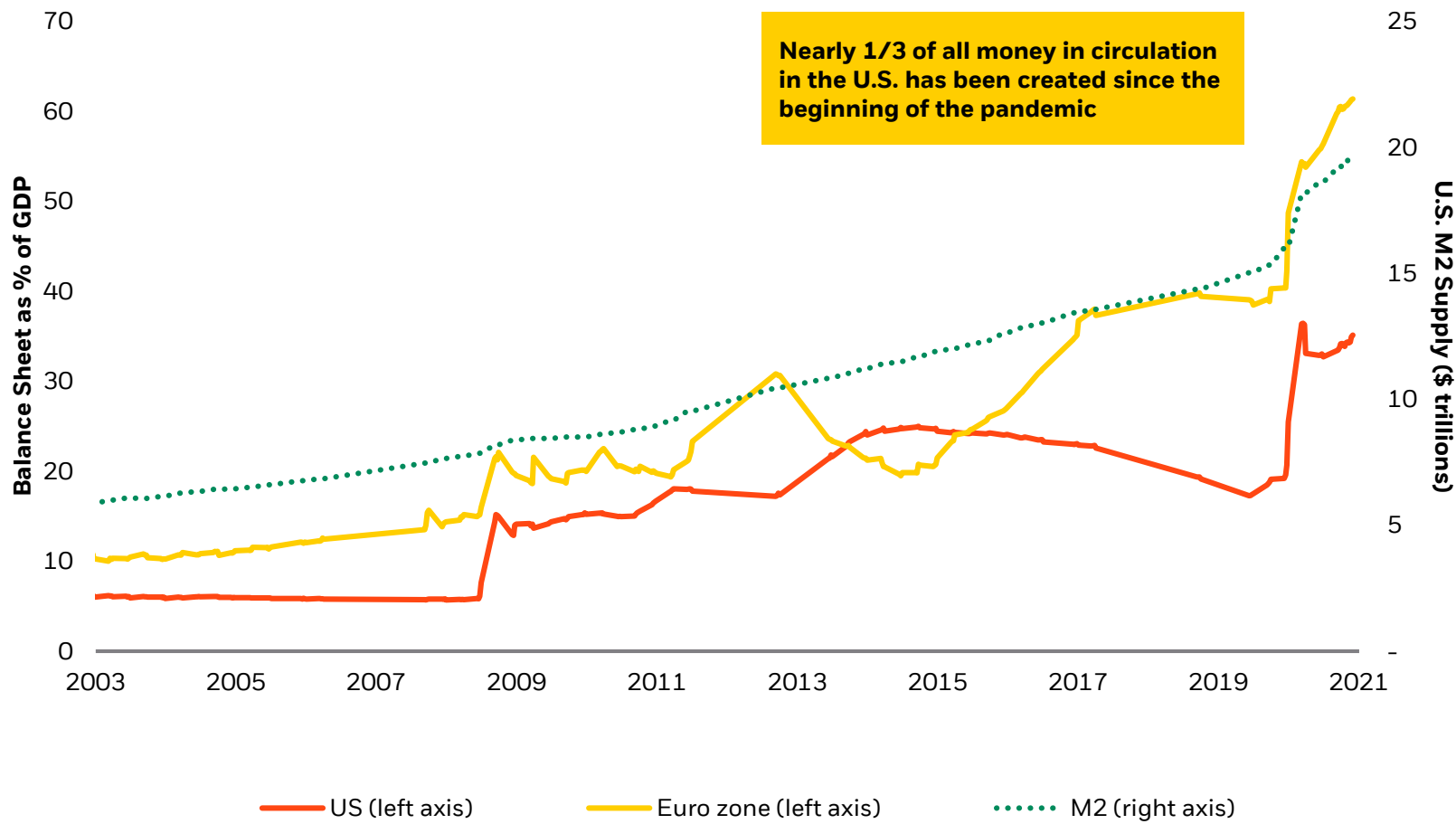


Source: Bloomberg, as of May 6, 2021.

Balance sheet expansion

Central banks: doing “whatever it takes” through asset purchases to support the economic recovery.

Central bank balance sheets have exploded since the beginning of the pandemic, and so has the money supply

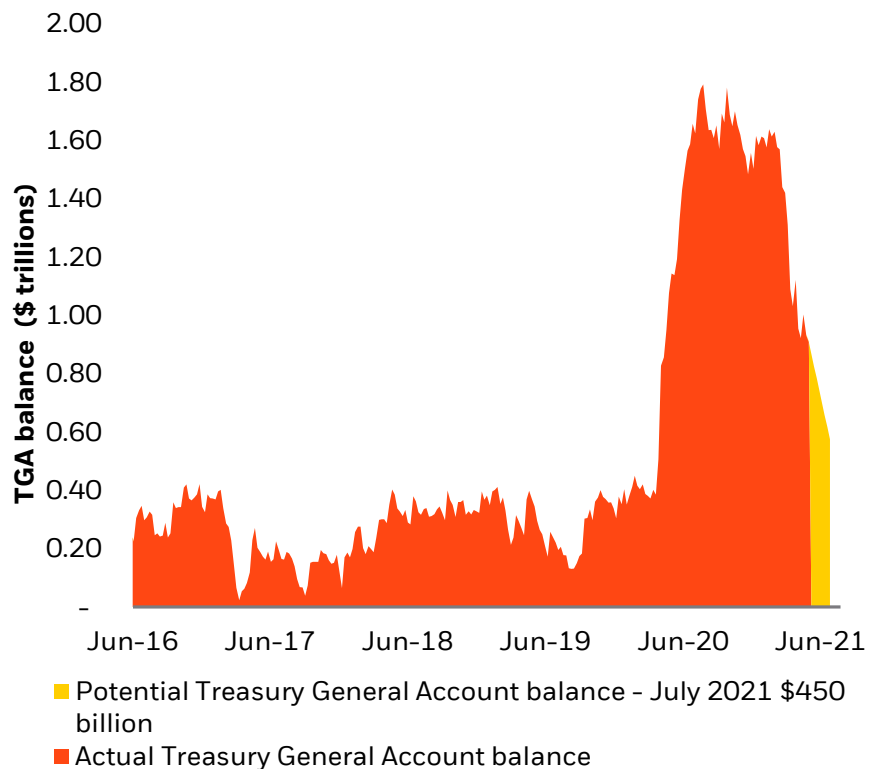


Source: Bloomberg, as of May 6, 2021. M2 represents the money supply that includes cash, checking deposits and easily convertible near money.

Lots of liquidity

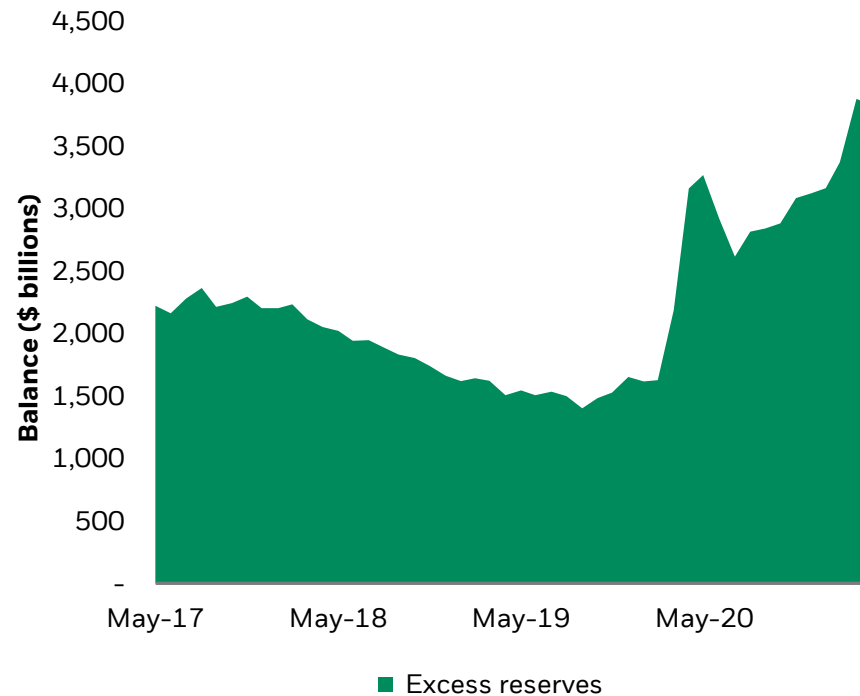
Central bank asset purchases and TGA drawdown have contributed to abundant liquidity.

Treasury General Account (TGA)



Source: Bloomberg, as of May 13, 2021. Forecasts may not come to pass.

Excess reserves balances to remain abundant

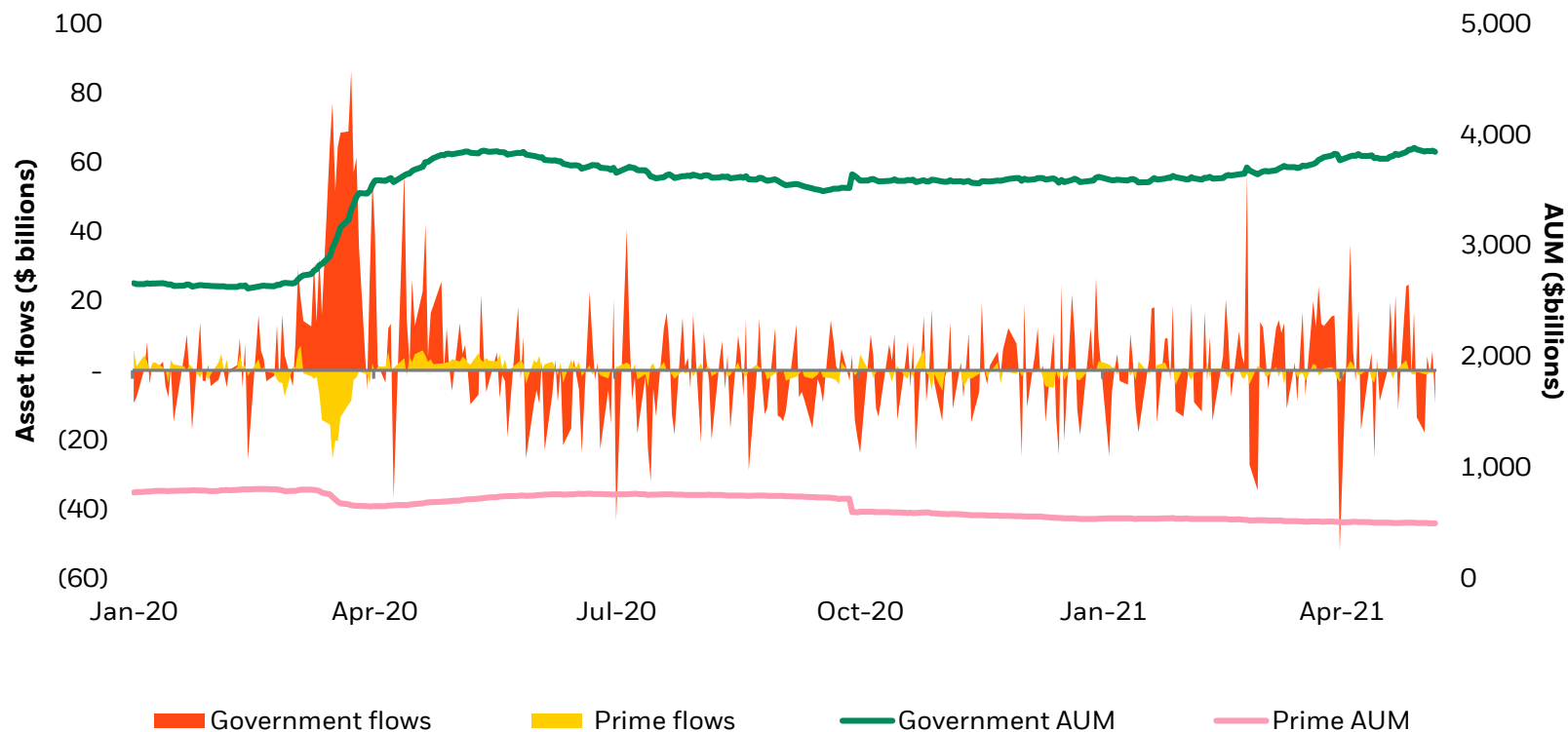


Source: Bloomberg, as of April 30, 2021. Currency figures shown in U.S. Dollars. Forecasts may not come to pass.

Volatile flows in money market funds (MMFs)

A flight-to-quality contributed to an all-time high in government MMF assets; prime MMFs have not recouped March 2020 outflows. MMF assets remain elevated and help contribute to excess liquidity.

Industry assets under management (AUM) volatility

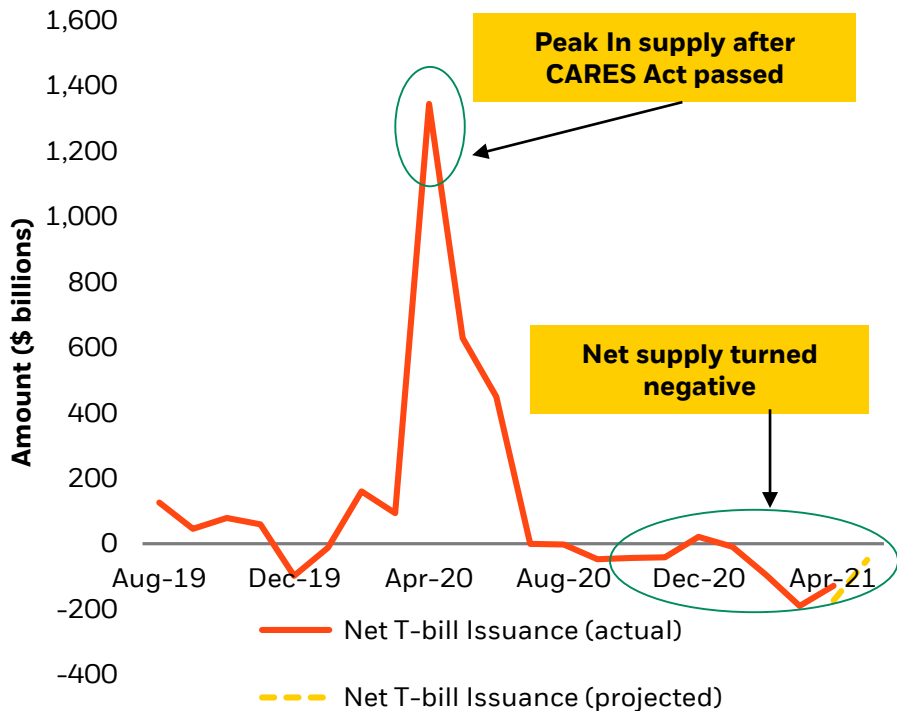


Source: iMoneyNet, as of May 10, 2021.

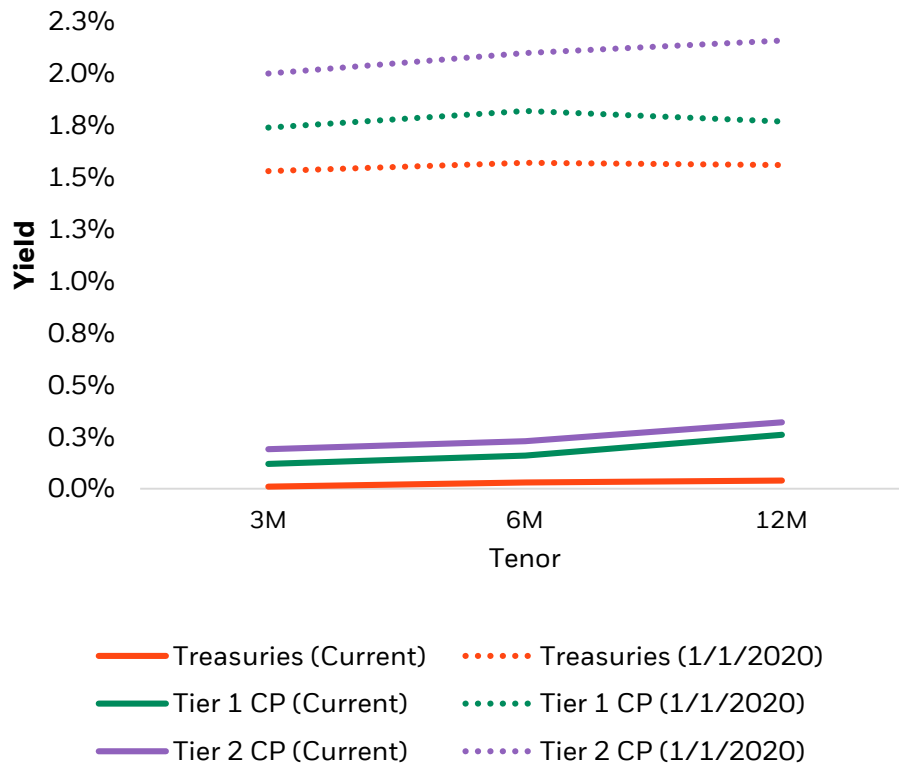
Supply/demand imbalance contributing to downward pressure on yields

Too much cash chasing too few assets.

Excess cash in the front-end is contributing to a supply and demand imbalance...



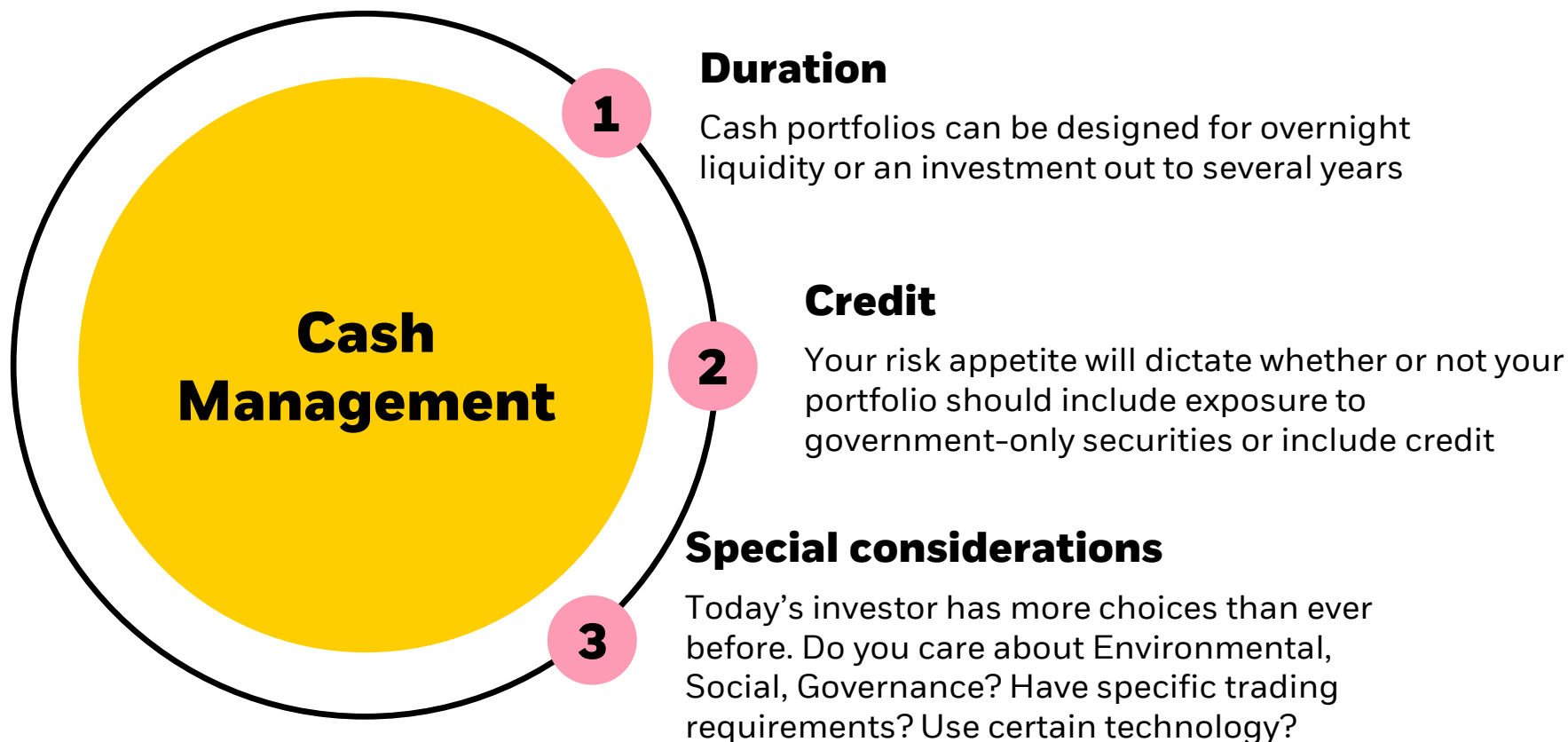
....resulting in further yield compression



Source for Net T-bill Issuance (actual): SIFMA.org, as of April 30 2021.
 Source for Net T-bill Issuance (projected): U.S. Federal Reserve, as of April 30, 2021.
 Forecasts may not come to pass..

Source: Bloomberg as of May 13, 2021.
 Past performance is no guarantee of future results

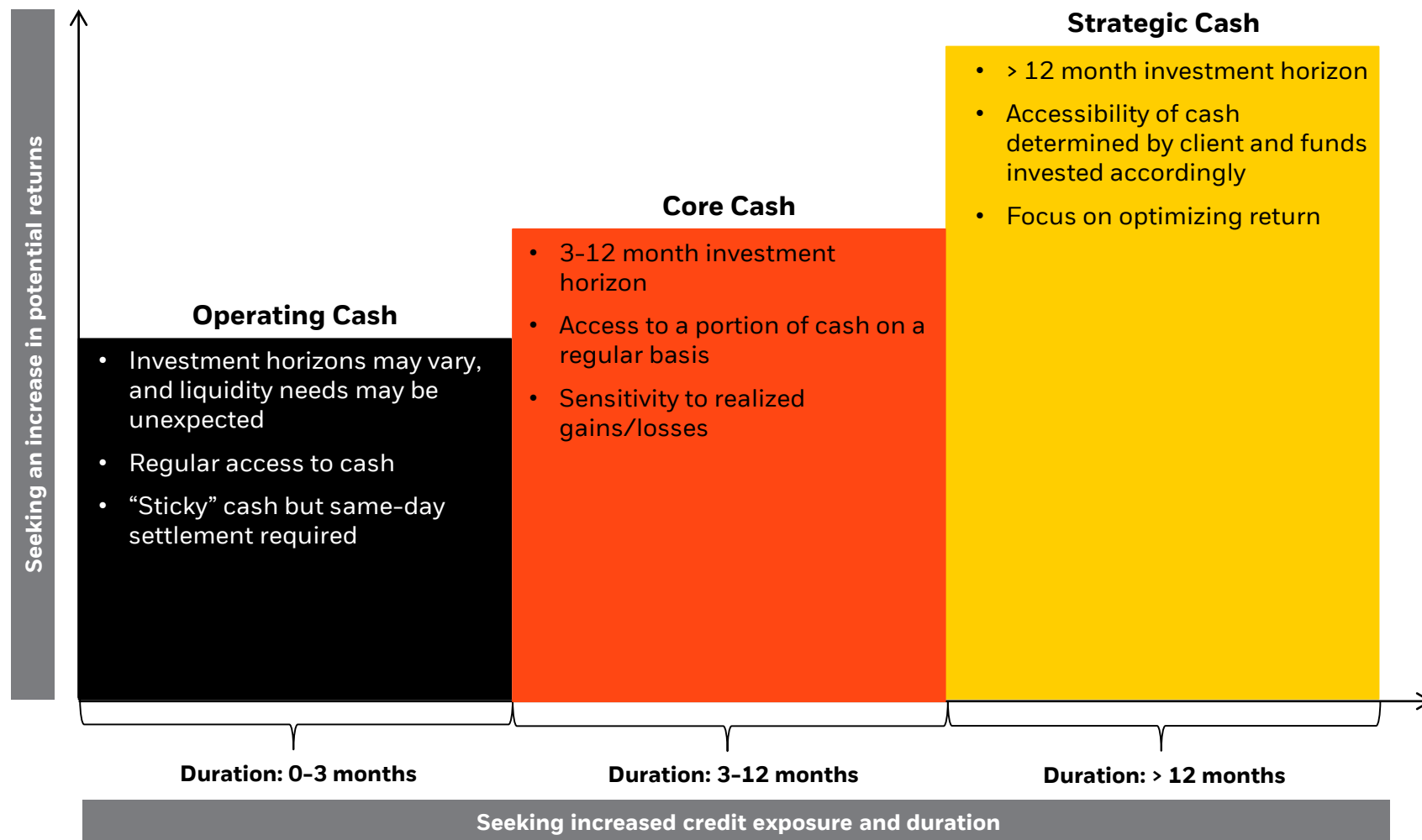
From concept to action: Consider these factors when designing your cash solution



For illustrative purposes only

Begin with a view of your cash management needs

Investment strategies to balance varying objectives



For illustrative purposes only; this graph represents a sample segmentation of a client cash profile.

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